

**Federal Home Loan Bank of Atlanta**

**Annual Community Lending Plan**

**Adopted December, 2001**

## **Table of Contents**

	<u>Page</u>
Introduction	2
History	3
Market Research and Consultation Plan	4
Products and Services	5
2002 Strategies	6
Bank Policies for CICA Targeted Beneficiaries	7
Quantitative Performance Goals	8

### Exhibits

A – EDP Economic Development Program

B – EDGE Economic Development and Growth Enhancement

C – Predevelopment Fund

## **INTRODUCTION**

Pursuant to Sections 944.6 and 952.4 of the Federal Housing Finance Board's regulations, the Federal Home Loan Bank of Atlanta has developed a Community Lending Plan that it revises annually.

The Community Lending Plan guides the Bank's efforts to support community economic development and job growth in the communities of its district by working in partnership with member financial institutions. The Plan incorporates the Bank's mission through partnering efforts, services, financial products and expertise, experience and skills of its staff, and by the wide yet targeted dispersion of information about the Bank's accomplishments.

The Federal Home Loan Bank of Atlanta's Community Lending Plan was developed within the context of its overall mission. Our tag line—Building Stronger Communities—expresses our commitment to the pursuit of comprehensive community development that can be sustained over time.

This Community Lending Plan has been reviewed by the Advisory Council and approved by the Board of Directors.

## **COMMUNITY LENDING PLAN**

### **History**

In 1998, the Atlanta Bank established an internal CICA task force representing a cross-section of Bank staff to develop recommendations to address unmet community credit needs in the Bank's district. In 1999, the Bank budgeted \$1 million for a CICA discount fund and expanded the CICA taskforce.

A **Needs and Opportunities Assessment** examined district-specific community lending needs and how they could be addressed with CICA programs. During the assessment process, interviews were conducted with our members, nonmember borrowers, and Advisory Council, as well as public and private economic development organizations.

The results from the assessment, outlined in detail in the report, included five recommendations:

1. Define a targeted CICA discounted advance program
2. Provide flexible loan products with as deep a discount as possible
3. Encourage partnerships between members and community-based nonprofit lenders
4. Develop partnerships with other organizations that can add components which the FHLB cannot
5. Form an ad hoc advisory group of economic development practitioners that can assist the Bank in the development and evaluation of the Bank's CICA programs

The assessment suggested that the Bank promote the following community economic development activities:

- Infrastructure
- Community Facilities
- Job Creation/Retention
- Retail Establishments
- Small Business Incubators
- Asset Building
- Community-based Lending Intermediaries

The assessment also suggested that the Bank promote the following:

- Comprehensive planning, to identify community strengths and weaknesses
- Partnership development, to bring public and private resources together
- Development of human capital, including leadership development, job training, and community-based initiatives
- Non-debt (or patient) capital, including equity, capacity-building grants, and long-term investments
- Borrowed funds, particularly long-term, below-market rate, sometimes micro-sized loans

Based on the assessment, two new programs were approved by the Bank's Board of Directors and launched in the fourth quarter of 1999: Economic Development Program (EDP) and the

EDGE (Economic Development and Growth Enhancement) program, which are described in the Products and Services section.

In 2000, the budget for CICA programs was increased, to provide \$5 million for EDGE. The budget increased again for 2001, to \$7 million, to include funding for EDGE and a new predevelopment fund, also described in the Products and Services section.

### **Market Research and Consultation Plan**

Utilizing the experience and information obtained while conducting the Needs and Opportunities Assessment in 1999, the Bank has continued to explore and respond to the community economic development needs and opportunities in its district, using a multifaceted approach intertwined with our marketing activities.

The Bank consults with an informal network of community development entities including Bank members, national community economic development organizations, local community organizations involved in economic development, the Bank's Advisory Council, and others able to provide valuable input to the Bank on the community lending needs and opportunities in our district and the products and services we offer to address those needs and opportunities. The Bank consults with its Advisory Council and the Bank's Housing Committee of the Board of Directors on a regular basis and involves them in the development of the annual Community Lending Plan.

As part of our marketing efforts, and to enhance staff understanding of state, regional and national community economic development needs and opportunities, Bank staff participate in national, state and regional conferences and workshops held by economic development entities.

In 2000, as part of the Bank's strategic planning effort, the consulting firm of David P. Rosen and Associates (DRA) was engaged to undertake an extensive survey of potential products, services and investment vehicles that the Bank could use to further its mission. From that survey, 19 potential initiatives were identified for further study. Through a series of interviews and with input from the Board of Directors and the Advisory Council, these 19 initiatives were evaluated and four initiatives were selected for in-depth evaluation and potential initiation in 2001. Three of the four addressed community economic development.

During 2001, the Bank completed an analysis of the potential for taxable bond purchases and equity investment options and decided to delay further consideration of equity investments and taxable bond purchases.

A new Predevelopment Fund was approved by the Board of Directors in the second quarter of 2001 and funded with an initial \$1 million of the \$7 million budget.

## **Products and Services**

In 2002, the Bank will emphasize the marketing of the new Predevelopment Fund, and will continue to offer its two community-lending products, EDP and EDGE (discussed below). The Bank has budgeted \$5 million to support its CICA initiatives in 2002.

CIS hired a Vice President of Economic Development in the first quarter of 2001, and added an Economic Development Specialist in the fourth quarter of 2001. These additional resources will serve to support and further expand the Bank's economic development efforts and will allow CIS to undertake significant marketing and educational efforts in 2002 to forge reciprocal relationships with other organizations, develop partnerships between members and community economic development organizations, and increase the Bank's community lending activity.

### **Economic Development Program (EDP)**

The Bank's EDP advance incorporates the community lending activity eligible under CICA regulations for the Community Investment Program, Urban Development Advance and Rural Development Advance. It is a flexible program, available to members only, and priced at the Bank's cost of funds plus administrative costs. A brochure describing the program and the eligibility criteria is provided as Exhibit A.

The Bank's marketing and technical assistance plan for EDP includes:

- Member visits and workshops
- Speaking engagements with banking groups
- Speaking engagements with economic development groups
- Meetings with economic development agencies and statewide organizations around the district
- Coordination of activities with Member Sales and Marketing
- Special mailings
- Articles in *Partnerships* and other Bank publications
- Bank website
- Special offerings of lower priced advances for limited periods of time

### **EDGE (Economic Development and Growth Enhancement)**

The Bank's EDGE advance program is offered to help members finance subsidized-rate loans for targeted community economic development projects. Because the Bank subsidizes the rate for EDGE advances, utilizing CICA discount funds budgeted for the program, projects are chosen through a formal selection process. The Bank offered EDGE advances once in 2001 and will offer it at least once in 2002. A brochure describing the EDGE program and the eligibility, evaluation and selection criteria is provided as Exhibit B.

The Bank's marketing and technical assistance plan for EDGE includes:

- Speaking engagements with economic development groups and banking groups
- Special mailings
- Articles in *Partnerships* and other Bank publications

- Articles for economic development publications
- One-on-one meetings with state economic development agencies, economic development intermediaries, selected nonprofits and members active in economic development
- Bank website

### EDGE Opportunity Fund

The Board earmarked \$1 million of the \$6 million EDGE allocation for an EDGE Opportunity Fund. Investments from this fund can be made outside the normal EDGE selection process in emerging, unique and promising opportunities within the district that require special packaging and partnering to become viable, yet would benefit targeted individuals and communities whose median income is at or below 80% of the area median income and otherwise meet EDGE eligibility criteria. The Fund's flexibility might enable the Bank to help forge a partnership to raise resources for future economic development efforts as well as produce a specific project. Or it might assist a community bank to undertake a venture that leverages equity or ownership positions for workers in a hard-to-serve portion of the Bank's district.

### Predevelopment Fund

The Bank's Predevelopment Fund received its initial allocation of \$1 million in 2001 to provide funding to members for certain eligible predevelopment expenses associated with affordable housing and community economic development projects that may be eligible for AHP and EDGE funding. The Fund provides up to \$100,000 (not to exceed 75% of total eligible predevelopment expenses) as a recoverable grant for projects sponsored by nonprofits within the Bank's district. The Fund has an open window and decisions are rendered within 60 days of receipt of an application. A brochure describing the Predevelopment program and the eligibility criteria is provided as Exhibit C.

### **2002 Strategies**

In 2002, the Bank will pursue five community lending strategies:

1. Fully implement its program to provide predevelopment financing. The Bank will focus on marketing the Fund in 2002 to reach underserved sections of the district.
2. Conduct focus group sessions with member banks and public and private organizations and institutions. These sessions will be designed to increase a shared understanding of creative funding and partnering opportunities in community economic development, and to stimulate new partnerships to produce viable economic development ventures.
3. Explore utilization of Bank advances as near-equity investments by members in New Market Venture Funds so that they may qualify for New Market Tax Credits for members. Also explore the possibility of direct Bank investments in the technical assistance side of New Market Venture Funds.
4. Explore purchase of economic development loans from member banks.

5. Develop partnerships with Alabama institutions to support a statewide community-based economic development process. The Bank has pledged to provide \$250,000 in EDGE advances from its EDGE Opportunity Fund to support an emerging partnership led by the Alabama Power Company. Other partners include the University of Alabama, Auburn University, Tuskegee University, and the Alabama Department of Community and Economic Development. The Bank has provided technical assistance in structuring the process which will involve working with a selected group of communities to prepare strategic plans and implement a selected venture.

### **Bank Policies for CICA Targeted Beneficiaries**

For individual beneficiaries, the Bank will use the median income of the area, as published annually by HUD. The Bank will use family median income figures.

To determine if a project is located in a neighborhood at or below the targeted income level, the Bank will use the census tract or block numbering area in which the project is located, using the most recent census tract median income data from Claritas, Inc. For neighborhoods located in metropolitan areas, the MSA median family income will be used. For neighborhoods not located in metropolitan areas, the statewide non-MSA median family income will be used. [Note: Neighborhood eligibility for mobile home parks under CIP will be determined in the same manner.]

For qualifying small business loans, the Bank will exclude businesses that are excluded by the Small Business Administration under 13 CFR part 120.110 or any successor provisions.



## **Quantitative Performance Goals**

### **2001 Goals:**

1. Thirty (30) members will take at least one EDP advance in 2001.  
Status as of 10/30/01: 20 ; projection for year is 20 to 25
2. Bank staff will make presentations on the Bank's economic development programs for at least 10 state, regional, and/or national conferences, workshops or meetings.  
Status as of 10/30/01: 7; projection for year is 9
3. A predevelopment program will be designed and presented to the Bank's Board of Directors in March.  
Status as of 10/30/01: Announced in July; two applications received (both for housing projects)

### **2002 Goals:**

1. Assist in developing at least one EDGE application for a project located in Alabama, and at least one application for a project located in Georgia.
2. Bank staff will make presentations on the Bank's economic development programs for at least 10 state, regional, and/or national conferences, workshops or meetings.
3. Assist in developing at least three Predevelopment Fund applications for an economic development project.
4. Conduct at least three focus group meetings involving member banks, intermediary community development entities, community-based organizations, and other supportive public and private institutions and organizations.